

Message Text

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PAGE 01 BRIDGE 00670 251647Z

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ACTION OPIC-06

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FM AMEMBASSY BRIDGETOWN

TO SECSTATE WASHDC PRIORITY 8770

UNCLAS BRIDGETOWN 0670

E.O. 11652: N/A

TAGS: EINV OPIC AC BB

SUBJ: OPIC INSURANCE: ANTIGUA: DICKENSONBAY PROPERTIES

REF: STATE 048284 AND PREVIOUS

1. INFORMATION CONTAINED IN OPIC INSURANCE APPLICATION IS SCANTY (FOR INSTANCE APPLICATION CONTAINS NO INFORMATION RE BUSINESS OBJECTIVES OF PROJECT, ITS SIZE, LOCATION, ETC.) BUT WE HOPE FOLLOWING COMMENTS MAY BE USEFUL AS PART OF ANY FINAL ASSESSMENT.

2. ANTIGUA'S ECONOMY IS SUSTAINED BY TOURISM WITH SIGNIFICANT CONTRIBUTIONS FROM ITS MANUFACTURING SECTOR, PARTICULARLY A US-OWNED OIL REFINERY. ISLAND HAS NO SIGNIFICANT AGRUCULTURAL SECTOR. LIKE MOST OF LESS DEVELOPED COMMONWEALTH ISLANDS, ANTIGUA HAS BEEN HARD-HIT BY EXTERNALLY INDUCED INFLATION AND SLUMP IN TOURIST TRADE ATTRIBUTABLE TO POOR ECONOMIC CONDITIONS IN NORTH AMERICA. GOA ALSO FACES SEVERE FINANCIAL PROBLEMS BECAUSE OF GROWING RECURRENT DEFICITS AND THIS SITUATION IS EXPECTED TO DETERIORATE FURTHER OVER NEAR TERM. UNEMPLOYMENT IS HIGH, PROBABLY WELL OVER 30 PERCENT AND IS LIKELY TO GROW EVEN HIGHER OVER NEXT FEW MONTHS. ISLAND ALSO SUFFERS FROM DECLINING AIR SERVICES, MOST NOTABLY DROPPING OF ANTIGUA ROUTE BY PAN AMERICAN IN MID-1974. HOTEL OCCUPANCY RATES, AVERAGING 25 PERCENT IN 1973, HAVE BEEN A PROBLEM BECAUSE OF FACTORS DESCRIBED ABOVE AND HIGH PRICES, REPUTATION FOR INADEQUATE SERVICE AND HIGH PROMOTION COSTS.

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PAGE 02 BRIDGE 00670 251647Z

3. ANTIGUA HOWEVER, HAS SOME COMMANDING ADVANTAGES IN TOURIST MARKET, INCLUDING INCOMPARABLE (EVEN FOR CARIBBEAN) BEACHES AND CLIMATE, EXCEPTIONALLY GOOD INFRASTRUCTURE AND PROXIMITY TO NORTH AMERICAN MARKET, DESPITE CURRENT AIR TRANSPORT DIFFICULTIES.

4. GOVERNMENT OF ANTIGUA SHARES PROBLEMS COMMON TO LDC'S OF LACKING ADMINISTRATIVE TALENT BUT IT HAS BEEN RECEPTIVE TO FOREIGN INVESTMENT IN TOURISM SECTOR AND WOULD PROBABLY DO EVERYTHING WITHIN ITS POWER TO MAINTAIN HOSPITABLE CLIMATE FOR SUCH ACTIVITY. DICKENSONBAY PROPERTIES IS, WE UNDERSTAND, CONDOMINIUM PROJECT DIRECTED TOWARDS NORTH AMERICAN MARKET. PROJECT SHOULD GIVE SUBSTANTIAL CONTRIBUTION TO ECONOMIC ACTIVITY DURING CONSTRUCTION STAGES BUT SUBSEQUENT TO COMPLETION SUCH CONTRIBUTION WOULD DECLINE IN SIGNIFICANCE. NEVERTHELESS, THERE ARE FEW CONDOMINIUMS IN ANTIGUA AND SINCE OWNERS WOULD PROBABLY REMAIN ON ISLAND FOR LONGER PERIOD OF TIME THAN USUAL HOTEL GUESTS, PROJECT WOULD CONTINUE TO MAKE POSITIVE CONTRIBUTION TO NATIONAL PRODUCT. PROJECT WOULD ALSO ENHANCE TOURISM SECTOR BY PROVIDING ACCOMMODATIONS FOR NEW TYPE OF HOPEFULLY, LONGER-TERM TOURIST. IT WOULD NOT SIGNIFICANTLY CONTRIBUTE TO PRODUCTIVE CAPACITY OR ECONOMIC RESOURCES OF HOST COUNTRY.

5. AS FAR AS WE CAN SEE, PROJECT WOULD NOT CONFLICT WITH US POLICIES OR US INTERESTS, NOR WOULD IT HAVE ANY SIGNIFICANTLY ADVERSE EFFECTS ON US BALANCE OF PAYMENTS. IT WOULD NOT AROUSE ADVERSE PUBLIC SENTIMENT.

6. IF PROJECT IS ECONOMICALLY VIABLE AND IS NOT PRINCIPALLY AIMED AT SPECULATIVE LAND PROFITS, WE SEE NO REASON TO DENY APPLICATION FOR POLITICAL RISK INVESTMENT INSURANCE.
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